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THE FORTUNE OF JOHN JACOB ASTOR¹

I. THE FUR-TRADE AND FOREIGN SHIPPING

When John Jacob Astor landed in America in the spring of 1784, he encountered a civilization industrially unique and wholly alien to his brief experience. Witness the anecdote that is told concerning his astonishment at being able to secure a position unhampered by the payments and regulations of apprenticeship.² The lack of social restraints upon the freedom of production and exchange seemed, no doubt, peculiarly inviting to one who must have imbibed, even if unconsciously, old-world ideas of privilege. Add to this that the country held numberless untested possibilities of wealth development, and it is not hard to predicate the pecuniary success of an individual such as John Jacob Astor, who could boast a more than ordinary amount of commercial astuteness.

It is not to be inferred, however, that the country was in all respects industrially unexploited, nor that the fur trade and for-

¹ John Jacob Astor was born in Waldorf, Germany, in 1763, the son of a butcher. At the age of sixteen or seventeen he left home, working his way to the coast, whence he took ship for England. After four years spent in London with a firm of flute- and piano-makers, of which his brother was a member, he set sail for America, having accumulated money enough to pay for a passage in the steerage and to provide himself with a few additional pounds sterling.

For incidents of his early life cf. James Parton, *Life of Astor*, New York, 1865; Washington Irving, *Astoria*; J. D. McCabe, *Great Fortunes and How They Were Made*, 1871; *Hunt's Merchants' Magazine*, Vol. XI, p. 153; W. O. Stoddard, *Men of Achievement*, 1901; W. W. Astor, *Pall Mall*, Vol. XVIII.

² Parton's *Life of Astor* (New York), 1865.

eign shipping, the fields in which Astor was to lay the foundations of his fortune, were absolutely untried. Indeed, the fur-bearing regions of the continent had been tramped over long ere this by adventurous employees of the early French companies, by trained agents of the Hudson's Bay Company, and by resolute traders and trappers who were independent of all organized ventures. Moreover, before the war of the Revolution, the natural products of the colonies had given rise to a lucrative carrying-trade which showed indications of a speedy revival after the Peace of Paris under the direction of Boston merchants of considerable wealth.³ But after all, the exploitation of these two fields of commercial activity was only in its initial stages. In 1784, New York was as yet of secondary importance as a center of the American foreign trade, while the condition of the fur-trade is evidenced by the fact that the western part of New York state and even portions of Long Island were still prolific of peltries.

That John Jacob Astor at the age of twenty should have come in contact with a loquacious countryman who impressed upon him the money-getting possibilities of the fur-trade, was a piece of rare good luck.⁴ The elements of fortune—even for the wholly penniless—were all there, though no doubt it required a laudable effort of the imagination for a young man so entirely ignorant of the conditions prevailing in America to appraise them at their full value. To begin with, the fur-trader required only a minimum capital; as Astor's German acquaintance told him, with a basket of toys or even cakes, valuable furs could be bought on the wharves and in the markets of New York, which could be sold with advantage to resident merchants, or, if sent to London, disposed of at an advance of 400 or 500 per cent.⁵

Such extraordinary returns are the natural result of trading operations carried on between two civilizations having entirely

³ Weedon, *Economic and Social History of New England*, Vol. II, p. 821; cf. also MacPherson, *On Commerce*, Vol. IV, pp. 57, 77, 195.

⁴ Cf. references previously given to "Lives" of Astor.

⁵ Parton, *Life of John Jacob Astor* (New York, 1865). Parton is unreliable, but the statement seems probable in the light of other evidence concerning the profits of the fur-trade.

different standards of value. Both civilizations may conceivably profit by these operations, but the greater part of the gain is very likely to accrue to one of them at the expense of the other. In the case of the white men and the Indians of North America, the gains arising from commercial intercourse were confined almost exclusively to the former, though, it must be confessed, their pecuniary successes were often attended with severe personal hardship and occasional loss of life. At its inception the Indian trade was but slightly influenced by a trade-morality even of the mildest sort, so that the ignorance of the Indian, combined with his susceptibility to drink and finery, delivered him over to the greater or less cupidity of the white man. An idea may be had of the conditions confronting fur-traders in the remote comparatively unworked regions of the country by consulting some of the schedules preserved by pioneers in the field.⁶ It is quite evi-

⁶ Alexander Henry, who began his career as a fur-trader in 1760, has left an account of his travels and adventures, in which he has embodied a list of the prices of goods bought from the Indians at Fort des Prairies:

A gun.....	20	beaver skins
A stroud blanket.....	10	" "
A white blanket.....	8	" "
An ax (1 lb.).....	3	" "
$\frac{1}{2}$ pt. gunpowder.....	1	" "
10 balls.....	1	" "

The principal profits, however, he says, came from the sale of knives, beads, flints, steels, awls, and other small articles. Tobacco for which the Indians showed a decided preference, sold at the rate of one foot of Spencer's twist (a twist of black tobacco about an inch in diameter) for each beaver skin, while rum was dispensed at the rate of two beaver skins per bottle. Penny prints, such as are sold to children, were considered especially valuable as talismans, and Henry states that they were an exceedingly fertile source of profit, although he gives no exact information as to rates of exchange. (Alexander Henry, *Travels and Adventures in Canada and the Indian Territories*, ed. by James Bain [new ed., 1901], p. 320.) Bain thinks Astor conducted his trade in furs at Montreal under Henry's direction.

Russell gives a schedule of the trade of the Hudson's Bay Co. in 1788.

A common musket.....	10	beaver skins	A pound of glass beads..	2	beaver skins
A pound of powder.....	2	" "	A cloth coat.....	6	" "
4 pounds of shot.....	1	" "	A petticoat.....	5	" "
A hatchet.....	1	" "	A pound of snuff.....	1	" "
6 knives.....	1	" "			

Combs, looking-glasses, brandy, and other articles were exchanged in proportion, Russell states rather indefinitely. Moreover, in the exchange two otter

dent from these schedules that there must have been an opportunity for great profits in such exchanges. Indeed, the fact is patent, even though various incidental expenses connected with obtaining the skins and transporting them to market are not estimated, while the prices at which they were eventually sold are not stated. However, some definite testimony on this head is afforded by Alexander Ross who, while connected with the Astorian venture, spent a winter in the interior (600 miles from the mouth of the Columbia River), in a region not previously invaded by trade. During the 188 days of his stay he procured 1,550 beavers, besides other peltries estimated to be worth £2,250 in Canton, which averaged the company $5\frac{1}{2}d.$ each, or £35 sterling in all. Ross says:

So anxious were they [i. e., the Indians] to trade and so fond of tobacco that one morning before breakfast I obtained 110 skins for leaf tobacco at the rate of five leaves per skin, and at last when I had but one yard of white cotton remaining one of the chiefs gave me 29 prime beaver skins for it.⁷

Enough has been said, perhaps, to illustrate the enormous profits arising out of such transactions with the Indians, although it must be remembered that losses due to accidents in transport, Indian uprisings, and other unforeseen happenings had to be taken into account, while the salaries of subordinates, and the maintenance of trading-posts were items of large expense to the organized companies.

This, then, was the trade to which John Jacob Astor addressed himself upon his arrival in America. He engaged his services to a New York dealer who bought and exported peltries, and soon he was making trips to Montreal in the interests of his employer, gathering information as to the possibilities of the trade, and acquiring adroitness in dealing with the natives. The accounts concerning this early period of Astor's life are meager, conflict-skins and three martens were reckoned the equivalent of one beaver skin, whereas a single fine skin of either otter or marten was worth more than a beaver. Bancroft, *History of the Northwest Coast*, Vol. I, p. 459, quotes the statements of Russell made in his *History of America*, Vol. II, p. 263.

⁷ Alexander Ross, *Adventures of the First Settlers on the Oregon or Columbia River, 1810-13*. Reprint by Thwaites of the London edition of 1849, p. 158; *Early Western Travels*, edited by Reuben Gold Thwaites, Vol. VII, 1904.

ing in details, and prone to substitute eulogy for facts. But it would probably be safe to say that by 1786 or thereabouts, he had severed his connection with Mr. Bowne, his employer, and with a small stock in trade, had established an independent business. He obtained his furs, apparently, not only from the Indians themselves, but from white trappers and from the occupants of farm-houses throughout New York state.⁸

The actual expenses of such a trade were of course slight, and if connections could but be established with those markets where furs were in greatest demand, profits might rise to many times the original outlay. That John Jacob Astor should have thought of London as the goal of his operations—the market in which he could take advantage of the largest price discrepancies—is not altogether surprising, especially since the merchants of Montreal with whom he had come in contact all shipped their furs to London.⁹ Nevertheless, the energy and dispatch with which he put his plans into execution were indicative of a quite extraordinary enterprise. Very early in his career,¹⁰ in fact, as soon as he had accumulated a sufficiently large stock of furs, and had saved money enough to pay for a passage in the steerage, he set out for London with the purpose of forming connections there which would permit him to avail himself of the high prices of a European center of distribution. Evidently this venture was successful (though no direct information on the subject is to be got) for Astor's profits grew steadily until by 1794¹¹ he was in a position to devolve all but the managerial and financial work connected with his undertakings upon subordinates.¹²

⁸ Parton, *Life of Astor*; also, cf. other accounts of Astor's life that have been cited.

⁹ Indeed, the furs obtained in Montreal must perforce be shipped to London, as there was a law against exporting them from British possessions; cf. George Bryce, *The Remarkable History of the Hudson's Bay Co.*, p. 192 (Toronto, 1900).

¹⁰ As to the exact time accounts are conflicting and extremely unreliable.

¹¹ In 1794 Jay's Treaty resulted in the relinquishment of the trading-posts held by the British within the territory of the United States.

¹² "In a dozen years [he] had diverted some of the most profitable markets from his competitors and was at the head of a business branching to Albany, Buffalo, Plattsburg, and Detroit." Cf. article on "John Jacob Astor" by William Waldorf Astor, *Pall Mall*, Vol. XVIII, p. 171.

About this time he bought a vessel of his own in which to ship his furs to London. There, it is said, he heard of the trade of the East India Company with China, and, in consequence, in 1800 sent his first ship to Canton.¹³ Whether or no he had to go so far afield to learn the lucrative nature of the China trade, may well be matter for debate. An enterprising merchant and shipper who had acquired a fair-sized working capital would have been very likely at that period, when considering the advisability of extending his trade, to have looked toward Canton, especially if he dealt in a commodity such as furs, which found an eager and extensive market in China.

Weeden, discussing the revival of trade after peace had destroyed the profitable occupation of privateering, says:

In 1783 they had begun to agitate the China trade in Salem. In 1784 the Connecticut men mooted the same question and asked for state aid in so large a venture, which the sturdy farmers in the legislature wisely declined. In the same year Captain John Green sailed direct in the ship *Empress* from New York for Canton. In 1785 Elias Hasket Derby cleared his ship *Grand Turk*, Captain West, from Salem for the Isle of France, and finally for Canton.¹⁴

Thomas H. Perkins, who had been trained by Derby, also became prominent in the China trade, his vessels going chiefly to the northwest coast of America and from there to China and Boston. For over fifty years (from 1792 onwards) he was engaged in this trade, and it was claimed that in the early nineteenth century no private firm in the world transacted more business in the China trade.¹⁵ Weeden says again:

Like all grand commerce of the olden time, the China trade was a mighty round of small exchanges multiplied into the final freight of rich goods which included all the accumulated values that had gone before.¹⁶

¹³ Parton, *Life of John Jacob Astor* (New York, 1865); also *Pall Mall*, Vol. XVIII. William Waldorf Astor writes that "before the end of the century he had, to quote his own expression, 'a million dollars afloat,' which represented a fleet of a dozen vessels."

¹⁴ Weeden, *Economic and Social History of New England*, Vol. II, pp. 820, 821; cf. also MacPherson, *On Commerce*, Vol. IV, p. 57.

¹⁵ Weeden, *Economic and Social History of New England*, Vol. II, p. 822.

¹⁶ *Ibid.*, Vol. II, p. 824.

Ginseng and specie were particularly in demand for the outward bound cargoes, while the ships came back laden with tea, coffee, muslins, silks, and other fine fabrics. The customary profits on muslins and calicoes from Calcutta in those early days were estimated at 100 per cent. and over.¹⁷

It is not surprising that the foreign carrying-trade should have taken this particular direction. No doubt enterprising American merchantmen would have engaged in it even before the Revolutionary War, had not the East India Company held a monopoly of the China trade. The goods imported into China were there exchanged for other goods which, brought back to Europe or to America, yielded a very handsome profit that offered decided inducements to a shipper wishing to extend his operations. The "Empress of China," for instance, on her pioneer voyage to Canton in February, 1784, loaded chiefly with ginseng, obtained a return cargo whose sale netted a profit estimated at \$30,000—a sum exceeding 25 per cent. of the capital employed.¹⁸ As in the Indian trade, profits grew out of an exchange between widely separated peoples of different degrees of civilization and of diverse tastes. However, the resemblance probably goes no further, as the Chinese merchant was, no doubt, as astute as the Yankee trader, though the latter could not fail to profit by the enhanced values of his importations, resulting from the creation of certain place utilities. The goods shipped to China, natural products such as furs, ginseng, and quicksilver,¹⁹ were exported from a country with a relatively small population, having a rela-

¹⁷ In 1789 four of Derby's ships were in Canton, and he recorded (1785-99) 125 voyages, 45 of which were either to India or to China.

In this year, 1789, fifteen American vessels entered the port of Canton; cf. MacPherson, *On Commerce*, Vol. IV, p. 195.

In 1788 a Boston ship-master began to obtain furs from the Indians of the northwest coast which were carried to Canton and exchanged for Chinese produce. From 1799 to 1818, 108 American vessels were engaged in this trade, 15,000 sea-otter skins being collected and carried to Canton in 1802. (Bancroft, *History of the Northwest Coast*, Vol. I, p. 359.)

¹⁸ "Life of Major Samuel Shaw, First Consul at Canton," *Hunt's Merchants' Magazine*, Vol. XVIII.

¹⁹ Sandalwood also obtained in the Sandwich Islands was imported by American shippers.

tively slight demand for such commodities, to a densely populated district, where the peculiar tastes of the inhabitants afforded an eager market for them. Moreover, they came from a virgin country to a region whose natural resources had been thoroughly exploited, a circumstance which likewise tended greatly to enhance price discrepancies. In addition, the American trader profited by the introduction into his own country of the teas, silks, and fine fabrics of China for which there was an ever-growing demand, with the increase of wealth and the development of luxurious tastes. He was also advantaged by the fact that China had practically a monopoly of all such commodities, so that the supply imported could to a certain extent be regulated to meet changes in demand.

There is no available information concerning the exact nature and extent of Astor's Chinese ventures. It must suffice that he sent quantities of furs to Canton, and brought back chests of tea in exchange. His tea ships were evidently the source of considerable profits, as it is said that his loss of over a million²⁰ in the Astorian venture was more than compensated by the profits from his tea, which arrived safely despite the war with Great Britain.²¹ Another circumstance that contrived to render the import trade profitable was the method of payment of imposts.²² The United States allowed nine, twelve, and in some cases eighteen months to elapse before the payment was demanded, and in the meantime the goods brought in could be sold at an advance over cost plus duties, and with the proceeds other ships could be sent to Canton

²⁰ Stated by Parton. William Waldorf Astor estimates his losses at £800,000.

²¹ A table showing the imports of tea from China during a series of years will enable one to form an idea of the exceptional gains to be derived by a merchant with tea to sell in the years 1810-15.

IMPORTS OF TEA (IN POUNDS)

Millions	Millions
1804-5.....7.6	1810-11.....2.6
1805-6.....9.8	1811-12.....3.4
1806-7.....9.4	1812-13.....1.4
1807-8.....5.6	1813-15.....1.4
1808-9.....1.5	1815-16.....7.7
1809-10.....9.2	1816-17.....9.3

²² McCabe, *Great Fortunes and How They Were Made* (1871), p. 77; also, "Life of Moses Taylor," *Hunt's Merchants' Magazine*, June, 1864, contains

and return before the duty-bonds were due. In this way, says McCabe, John Jacob Astor had free of interest from the government during a period of eighteen or twenty years over \$5,000,000. The statement seems not improbable if it be remembered that the duties on tea were very high, and that they were increased in some cases 100 per cent. for the years 1812-17, as a result of the war. During this time, it should be borne in mind, John Jacob Astor is said to have been exceptionally fortunate in bringing in his ships.

McCabe²³ quotes Francis in his *Old Merchants of New York* because of a specific instance given by the latter of the way in which dilatory governmental regulations operated to the gain of the merchants. The illustration is suggestive, however hypothetical the statistics may be. The Griswolds, owning the ship "Panama" start from New York with a cargo worth \$200,000, \$30,000 of which is invested in ginseng, spelter, lead, iron, etc., while the remainder consists of 170,000 Spanish dollars. The ship lands at Canton and returns with a cargo of tea in exchange for the

an incidental reference to the favorable effects of the prevailing system of government credits.

The American State Papers, Finance, Vol. V, p. 277, give some statistics concerning the amount of the duties on tea which are as follows:

	1801-12	1812-17	1817-24
Bohea	12c	24c	12c
Imperial gunpowder.....	..	50c	..
Hyson.	32c	64c	40c

A letter from a Boston merchant dated December, 1825 (cf. *American State Papers, Finance*, Vol. V, pp. 279, 280) also gives valuable information concerning the schedule of duties and the relation of these to cost. "It so happens," he says, "that I can give you facts in place of speculation in answer to your inquiry as to the cost of tea in China. Within a week two of our ships have come direct from Canton." Imperial gunpowder, costing 42 cents per pound, pays a duty of 50 cents; Hyson, costing 37 cents, pays a duty of 40 cents; Touchog, costing 15½ cents pays a duty of 25 cents; while Congo pays a duty equal to about 170 per cent of its cost. "The teas usually bought," writes the merchant, "cost us about 30 cents or 32 cents per pound and pay a duty of 40 cents." Since the percentage of duties to cost was in general considerably larger than this during the war period, the immense advantage to be obtained from deferring the payment of such duties is obvious.

²³ McCabe, *Great Fortunes and How They Were Made* (1871), pp. 76, 77.

commodities carried thither. The tea upon importation pays a duty equal to twice its estimated value. If the cargo brought in is assumed to be worth \$200,000, it will therefore pay a duty of \$400,000, and will thereafter be valued at \$600,000. Estimating that the profits from the sale of the tea will be fifty per cent. of the original cost of \$200,000, the cargo then becomes worth \$700,000. The tea will probably be sold to wholesale grocers soon after its arrival, the purchasers giving their notes due at the end of four or six months. These notes may be discounted by the shippers, and with the proceeds two more vessels with a cargo of \$200,000 each may be sent to Canton, and return before the \$400,000 debt due to the government has to be paid.

No doubt this is a somewhat exaggerated statement of the case, and it has further to be considered that decided dangers lurked in the system of deferred payments. In might, for instance, impel a too venturesome merchant to import excessive quantities of tea, thus flooding the market and depressing prices, with the result that his sales would not bring in a sufficient sum to enable him to pay his indebtedness to the government, and he would consequently be forced into bankruptcy. Indeed, there are to be found occasional unsubstantiated references to attempts of John Jacob Astor to steady the market by buying up excess supplies of tea. He, no doubt, enjoyed the advantage of being able to carry his tea indefinitely, and thereby escaped in part the evils of price fluctuations. Very likely he may have profited by the facilities for purchase afforded by low prices just as wealthy would-be investors to-day profit in times of panic by obtaining bargains in securities. On the other hand, the merchants who were forced to sell in order to meet their payments were put in a position similar to that of speculators, who in case of financial stress must sacrifice their holdings to meet current obligations. However, there is but little basis in fact for the conjectures that have been advanced concerning Astor's operations in tea. It would merely seem from hints thrown out here and there that he must have pursued some such plan, although just how far he was enabled to influence the market at large by his operations, it is impossible to state.

But John Jacob Astor enjoyed an advantage other than the ones inherent in the trade itself. He had not to play the part of an ordinary buyer in the acquisition of goods for his outward-bound cargoes, at least in so far as those cargoes were composed of furs. His final profits were a compound of the profits of the fur-trader and the shipper of furs. The extent of the profits of the fur-trader have been suggested, at any rate, by certain schedules that have been previously stated. Even allowing for the additional expenses that came with an extensive and more elaborate corporate form of organization, profits were still excessive.²⁴ Moreover, there were even greater returns to be got by that trader who could send his skins directly to the principal European markets. John Jacob Astor, we are told, had established commercial relations with many parts of the world as early as 1800. What must then have been his profits a decade later, after he had organized the American Fur Company which was operating in a comparatively virgin field and yet was having its furs shipped to the foremost distributive centers?

²⁴ The following statistics were compiled by an Indian agent for the years 1815-30, at a time when furs had become scarcer and Indians more sophisticated.

THE FUR TRADE ON THE MISSOURI AND ITS WATERS INCLUDING THE ROCKY
MOUNTAINS

Expenditures

20 clerks, 15 yrs., at \$500	\$ 150,000
200 men, 15 yrs., at 150	450,000
Merchandise	1,500,000
Total	\$2,100,000

Returns

26,000 buffalo skins per yr. 15 yrs., at \$3	\$1,170,000
25,000 lbs. beaver skin per year 15 yrs., at \$4 per lb...	1,500,000
4,000 otter skins per yr. 15 yrs., at \$3	180,000
12,000 coon skins per yr. 15 yrs., at 25c	45,000
150,000 lbs. deer skin per yr, 15 yrs., at 33c per lb....	742,500
37,500 muskrat skins per yr. 15 yrs., at 20c	112,500
Total	\$3,750,000
Profits	1,650,000
Average annual expenditure	\$140,000
Average annual returns	250,000
Average annual profits	110,000

—Senate Document No. 90, Twenty-second Congress, First Session, p. 53.

The statistics are apparently general estimates, not compiled with reference to any particular company.

Until the time that the American Fur Company was chartered Astor had conducted his business without recourse to a formal organization of any sort, but as he pushed his operations farther west into the region of the Great Lakes, and met with the opposition of British corporations, he evidently decided to give his business a more definite form. In 1808, therefore, he applied for a charter from the state of New York for the American Fur Company (capital \$1,000,000)—a general title designed to include all his operations.²⁵ The Mackinaw Company, a British concern which held the trade about the upper lakes and westward to the Mississippi, was a formidable competitor, but Astor in conjunction with certain members of the North West Company bought it out (1811), and organized a new association, the South West Company, which included the British organization and the American Fur Company. Astor was to have a two-thirds interest in the trade of the United States with the understanding that all of it was to be his at the end of five years. However, this arrangement was never put into execution, because shortly thereafter the War of 1812 broke out,²⁶ and the fur-trade lapsed into a state of demoralization for the time being.

Meantime Astor was putting to the test a masterly scheme of commercial enterprise, daring but plausible, requiring large expenditures but promising extravagant returns. It was a scheme, in short, that could be attempted only by a man of large resources who could afford to wait years for his investment to repay the original outlay. The Astorian plan was a brilliant venture, but it seemed to be an equally safe one—one of those undertakings for which the way had been paved, but the possibilities left untested. The idea was to build a line of trading-posts up the Missouri and across the Rockies to the Columbia and on to the Pacific coast. St. Louis was to be the distributing-point for all posts east of the Rocky Mountains, while the fort to be built at

²⁵ *Michigan Pioneer Collections*, Vol. XI, p. 189; *Pall Mall*, Vol. XVIII, p. 184; H. M. Chittenden, *History of the American Fur Trade of the Far West*, Vol. I, p. 167.

²⁶ *History of the American Fur Trade of the Far West*, Vol. I, p. 310; Bancroft, *History of the Northwest Coast*, Vol. I, p. 512.

the mouth of the Columbia and supplied by vessels sailing around Cape Horn was to serve as a center for the western posts. The furs stored at this latter point were to be taken by the supply vessels to China and there exchanged for a cargo of goods suited to the New York market. Incidentally it was hoped that considerable revenue would be derived from provisioning the Russian forts on the Alaskan coasts. To quote the rather picturesque language of Bancroft which is strongly tainted by malice:

It would indeed be a smooth glittering, golden round, furs from Astoria to Canton, teas, silks, and rich Asiatic merchandise to New York, then back again to the Columbia with beads, and bells, and blankets, guns, knives, tobacco, and rum.²⁷

Bancroft estimates that in this way furs could be taken to China in one-half the ordinary time, and supplies brought by vessel at one-tenth the overland cost.

In furtherance of this undertaking, the Pacific Fur Company was formed in 1810 with a capital of \$200,000, divided into one hundred shares of which Astor held fifty, Hunt as his representative and chief manager, five, the other partners, four each, while the remaining shares were left to the clerks. Astor was to furnish supplies up to the amount of \$400,000 and to bear all the loss for the first five years, although he agreed to share the profits.²⁸ As has been said, the scheme looked eminently practical. This northwest country had been explored by Lewis and Clark (1804-6)²⁹ and a company of St. Louis merchants had traded up the Missouri and Nebraska rivers and even built a fort west of the Rocky Mountains, from which, however, they

²⁷ Bancroft, *History of the Northwest Coast*, Vol. II, p. 139.

²⁸ Ross, *Adventures of the First Settlers on the Oregon or Columbia River*, p. 39.

²⁹ Turner, "The Fur Trade in Wisconsin," *John Hopkins Studies*, Ninth Series, p. 71, says that the idea of the Lewis and Clark expedition was proposed to Congress by Jefferson, as a means of fostering the Indian trade. "Bearing in mind his [i.e. Jefferson's] instructions to this party that they should see whether the Oregon furs might not be shipped down the Missouri instead of passing around Cape Horn, and the relation of his early canal schemes to this design, we see he had conceived the idea of a transcontinental fur-trade which should center in Virginia."

had been driven by the Indians.³⁰ As for the trade from the Pacific coast to China, it has been already shown that it had been carried on with immense success since 1788. So early as 1792, at least twenty-five vessels, most of them from Boston, were on the western coast, and Ross estimated that they averaged a clear gain of 1,000 per cent. every second year. In view of the extraordinary statements of Ross concerning his trade with the Indians of the interior,³¹ this estimate would appear by no means excessive.

The country that was to supply the Astorian settlement with furs was, then, not altogether unknown territory. Very probably it would have been worked ere this by the North West Company (indeed they had built several forts west of the Rocky Mountains) had it not been that Montreal, the base of supplies, was so far away, and they were prevented by the monopoly of the East India Company from shipping directly to China. That Astor feared their possible competition is evidenced by the fact that he offered them a one-third interest in his new enterprise. His offer being refused, he did the next best thing—seduced some of their most experienced men into partnership with him by promising them most generous terms.³²

As has been shown, it was not in any single feature that the Astorian scheme appeared original, although the fur-trade, at best, demanded adventurous daring—a reaching-out into new fields. But as a great co-ordinating scheme, the plan bore witness to the organizing ability and the grasp of the man who conceived it. Its aim was distinctly monopolistic, and if it had succeeded, it would have been a disastrous blow to Astor's rivals. With New York as an outlet for the eastern posts, with Astoria as an outlet for the western ones, and with St. Louis as the feeder for the middle territory, Astor would have been infinitely better equipped than rivals who had to send supplies by land, and con-

³⁰ George Bryce, *The Remarkable History of the Hudson's Bay Co.*, chap. xxii.

³¹ Cf. p. 348 of this article.

³² Bancroft, *History of the Northwest Coast*, Vol. II, pp. 141, 142; Washington Irving, *Astoria*, pp. 35, 36.

duct their operations with foreign countries from a single center. Ross, a Scotchman who went on the Astorian expedition and afterward developed a bitter hostility to Astor, characterized the Pacific Fur Company as

that concern which proposed to extend its grasping influence from ocean to ocean and which, to use the projector's own words, was to have annihilated the South Company, rivaled the North West Company, extinguished the Hudson's Bay Company, driven the Russians into the Frozen Ocean, and with the resources of China to have enriched America.³³

The plan failed, but not because of any difficulties that could have been foreseen. The War of 1812 broke out, Astor's supply ship did not arrive on time, and it was feared a British man-of-war might appear any day and demand the surrender of the fort. The partners, therefore, sold out to a representative of the North West Company for \$80,500.³⁴ This sum seems decidedly insignificant, in view of the fact that Astor had spent over a million dollars to carry his plans into effect. There had been an overland expedition to equip, and a party to be sent by sea, with two supply vessels to follow before any news of the first one could be had. The "Touquin," the ship which conveyed some of the partners to Astoria, was blown up after captain and crew had been massacred by the Indians of the upper coast while on a trading expedition; and a ship carrying supplies was wrecked off the Sandwich Islands. The cargoes were insured, however, so that probably the worst result of these losses, financially speaking, was the disheartening effect that they had on the men stationed at Astoria. Another ship, moreover, after provisioning Astoria, had sailed northward to the Russian settlements and thence directly to China, the captain refusing to put in again at that post, although

³³ Ross, *Adventures of the First Settlers on the Oregon or Columbia River*, p. 270.

³⁴ Chittenden, *The History of the American Fur Trade of the Far West*, Vol. I, chap. xii; Bancroft, *History of the Northwest Coast*, Vol. 11, p. 229, notes 8 and 9.

"Mr. Astor," says Ross, "thought he was cheated because the beaver on hand was sold at \$2.00, and the otter at \$0.50, when these skins were bringing \$5.00 or \$6.00 each at Canton." However that may be, there were mutual recriminations of a more serious nature, the recital of which would not be at all pertinent to the present investigation.

he had Hunt, the chief manager, aboard. This vessel carried furs costing \$25,000 to Canton, which would at that time have sold for \$150,000, the proceeds invested in nankeens bringing perhaps \$300,000 in New York.³⁵ No wonder, after such expenditures and with such profits in anticipation, that Astor should have lamented the sale of his interests to the North West Company at any price they might have offered.

The check given to this plan for the development of the north-western trade by the failure of the Astorian scheme was effectual. It may seem strange that Astor did not renew his attempts upon the conclusion of the war, but it ought to be remembered that the North West Company retained possession of Astoria and that during all this period, the northwest boundary was matter for dispute. In 1818 it was agreed that a settlement of the boundary question should be postponed for ten years,³⁶ during which time the northwest coast was to be open to subjects of both nations. In view of the uncertainty connected with the final disposition of this territory, as well as in view of the fact that the North West Company was now firmly intrenched in the region, it was not surprising that Astor should have definitely relinquished his plans. It should be remembered, too, that the North West Company boasted an organization superior to that of the American Fur Company. Its men were highly trained, its working arrangements thoroughly perfected, and its dealings with the Indians subjected to definite rules and regulations. The way in which this company had conducted its commerce with the natives had tended to attach them to its interests, and whenever American traders encountered its competition, it was apt to be to their eventual discomfiture. None knew better than Astor the extent of the competitive resources of the North West Company, and before attempting to carry the Columbian plan into effect, he had tried to secure the co-operation of these rivals. When he failed in that, he selected men from the North West Company to take charge of the undertaking, because he thought that they alone had the requisite experience and hardihood to make success possible. Their desertion, coupled with

³⁵ Bancroft, *History of the Northwest Coast*, Vol. II, p. 220.

³⁶ It was not finally settled till 1846.

the presence in the field of the North West Company itself, meant that the American organization would have to engage, competitively speaking, in a campaign of offense under the direction of subordinates less experienced than those in the employ of the British company. Such considerations as these were, no doubt, conclusive in determining Astor not to revive his western project.

Thereafter, operations were generally confined to the middle west, but the North West Company was paid in kind for the part it played in the enforced sale of Astoria. After the conclusion of the war, John Jacob Astor employed all his political influence to procure the passage of a bill excluding foreigners from participation in the fur-trade of the United States. He was successful in this attempt and in 1816 the North West Company was forced to relinquish certain lucrative posts south of the Canadian line. Astor immediately bought up all these posts very much at his own price,³⁷ and in the same year organized the American Fur Company which combined these newly acquired possessions with those of the South West Company incorporated just before the outbreak of the War of 1812. The incident affords an illustration of one prolific source of wealth to the man who is already rich: the ability to create and to take advantage of exceptional opportunities to acquire property for less than it is worth. It is, perhaps, the same sort of thing that occurs today when men of wealth slip into the control of corporations suffering a temporary financial embarrassment. It is again a case of forced sale; they get something for less than it is worth, because of the pressure that has been brought to bear upon those in possession. And in some instances, as is well known, the purchasers have themselves been instrumental in causing that pressure to be exerted.

At first, the American Fur Company traded in the region of the Great Lakes, the upper Mississippi, and a tract east of Lake Huron, with Mackinaw as its base, but gradually it extended its territory, and in 1822 its western department was established with headquarters at St. Louis. This department was confined to

³⁷ Chittenden, *The History of the American Fur Trade of the Far West*, Vol. I, pp. 310, 311; Bancroft, *The History of the Northwest Coast*, Vol. I, p. 513; J. H. Lockwood, "Early Times and Events in Wisconsin," *Wisconsin Historical Collections*, Vol. IV, p. 102.

the Missouri River and to the lower posts on the Mississippi and the Illinois. In 1826, it came into collision with the Columbia Fur Company, with which it effected a union in 1827, the name of the combination being changed to the North American Fur Company. The organization of the Columbia Company was left practically intact, it being transformed into a sub-department having charge of the trade of the Missouri above the mouth of the Big Sioux.³⁸

Forsythe, in a letter to Secretary of War Cass,³⁹ dated 1831, gives some interesting details concerning the trade of the region dominated by the North American Company. The traders supplied the Indians in the autumn with goods on credit, before the hunting season began. As possibly not more than half the debts thus contracted were made good, the Indians were forced to pay twice the price in skins that they would have had to pay in the spring when provided with furs. The Sauk and Fox Indians (population about 6,000), wrote Forsythe, had become so entirely dependent upon the traders for their winter supplies, that they would have literally starved without them. Consequently, they were forced to make their purchases in the autumn, paying exorbitant prices for the most necessary articles.⁴⁰ If debts such

³⁸ Chittenden, *The History of the American Fur Trade of the Far West*; cf. chapters dealing with the North American Fur Company in Vol. I.

³⁹ Cf. Chittenden, Vol. III, p. 936, for a letter from Thomas Forsythe to Lewis Cass, Secretary of War. [From the Manuscript Department of the State Historical Society of Wisconsin.]

⁴⁰ The following is an estimate of certain transactions, serving to show the profits of the trader under ordinary conditions:

The Indian takes credit in the autumn for

A 3-point blanket at.....	\$10.00
A rifle gun.....	30.00
A pound of gunpowder.....	4.00
	<u>\$44.00</u>
A 3-point blanket will cost in England say 16s.	
A blanket at 100 per cent.....	\$ 3.52
A rifle gun (at St. Louis).....	\$12.00-13.00
A pound of gunpowder.....	0.20
	<u>\$16.72</u>
25 per cent. for expenses.....	4.18
	<u>\$20.90</u>

From Forsythe's letter to Cass, Chittenden, Vol. IV, p. 926.

The trader took for a dollar a large buckskin, weighing perhaps six pounds,

as these were eventually discharged, the trader made a profit approximating 100 per cent.; but assuming that only a half or even a third of the debts were collected, the gains were still of a size to justify suspicions of exploitation. Certainly it was a master-stroke to divert the Indians from the varied activities which made of them a self-sufficing people; induce them to become fur-trapping specialists for the benefit of the white man; and then purchase their furs on credit, at prices based upon a knowledge of their superinduced economic dependence.

Turner says:

The credit system left the Indians at the mercy of the trader when one nation monopolized the field and it compelled them to espouse the cause of one or other when two nations contended for supremacy over their territory. At the same time it rendered the trade peculiarly adapted to monopoly, for when rivals competed the trade was demoralized and the Indians frequently sold to a new trader the furs which he had pledged in advance for the goods of another. When the American Fur Company gained control, they systematized matters, so that there was no competition between their own agents, and private dealers cut into their trade but little for some years.

Indeed, the North American Fur Company was recognized as being "the monopoly"—the organization with which every individual or group of individuals attempting to operate independently must expect to cope. It was not that the field was by any means fully covered, but Astor's company operated over a sufficiently extensive region with sufficiently large resources to enable it to employ against its rivals every device known to monopolistic competition. The nature of the fur-trade was such that, as regarded actual operations in the field, the independent trader was frequently at a positive advantage in a given locality. In his direct dealings with the Indians there was no reason why he should not make as good a bargain as another man, and when he was able to dispense rum (which he could more easily

or two doeskins, four muskrats, four or five raccoons or allowed the Indian three dollars for an otter skin, and two dollars for one pound of beaver.

Turner, *Johns Hopkins Studies*, No. 9, states that the system of credits dates back to the French period. Cf. also *American State Papers, Indian Affairs*, Vol. II, pp. 64-66.

smuggle into the Indian country than could a prominent corporation) he was sure to get the very best of the trade.⁴¹

But the North American Fur Company had that never-failing resource of an extended monopoly—it could change its schedule of prices to meet the exigencies of the situation. Chittenden says:

[It did] very much as [does] the Standard Oil Company to-day [which] crushes any rival enterprise that may dare to show its head in any part of the United States. . . . Carte blanche to the clerks simply meant that they might pay the Indians any price, however high for furs, and might make use of any amount of liquor that was necessary to secure the trade.⁴²

Naturally, persons operating within a limited territory could not withstand such an opposition which might continue for an indefinitely long period without serious injury to the larger organization. It is just this sort of competition that causes the greatest amount of irritation to-day under a more highly developed industrial organization. It causes irritation, because it is evidence of an advantage due to size rather than efficiency. From the nature of the case the fur-trade did not permit of an excessively complex organization, as within any particular region the methods of doing business were much the same; it was a case of barter with simple people whose ignorance put them quite outside the pale of economic generalizations on the subject of exchange. The North American Fur Company was not, then, a highly integrated industrial machine whose efficiency and

⁴¹ The importation of liquor into the Indian country was absolutely forbidden in 1832, although the American Fur Company pleaded to use it in the territory of its foreign rivals.

⁴² Chittenden, Vol. I, p. 353; Childs, *Wisconsin Historical Collections*, Vol. IV, p. 156; White, *Michigan Pioneer Collections*, Vol. XI, p. 189.

John Johnston in a letter to his sister from Fond du Lac, August 27, 1833, says that the Indians whom he told that he was conducting an expedition in opposition to the American Fur Company, "seemed pleased at the thought of opposition, but the 'Company,' they said, had used threats where milder means failed to deter them from encouraging new-comers" (Smithsonian, *Schoolcraft papers*.)

In another letter from Leech Lake, November 4, 1833, Johnston writes that although the Indians of the region kill animals whose furs amount to 100 or 130 packs, weighing from eighty to ninety pounds each, the opposition traders have never left the country with more than five or at most eight packs (Smithsonian, *Schoolcraft Papers*).

economy of operation offered justification for the disappearance of less fit organizations. It simply engrossed the business of other concerns because of its greater resources—a case of acquisition, pure and simple, since it introduced no innovations when once installed in the place of its rivals.

But price inequalities were not the only efficient factors in establishing the Astor monopoly. Competition could be overborne by physical expedients as well; and it was. Force and fraud were the weapons of all parties, but naturally they were weapons that could be wielded more effectively by a large corporation than by private individuals. It is not surprising that bloodshed, even murder, should figure in the competitive annals of the fur-trade. There was no effective police control save such as the trading companies themselves tried to exercise, the subordinates had been trained to habits of strife by their mode of life and for them the contest was sometimes a primitive struggle in which the economic interests involved remained very obscure. None the less, it was an effective mode of aggrandizement, redounding to the enrichment of men such as Astor who, detached from intimate connection with such affairs, would no doubt have condemned these methods in their cruder manifestations. They were, however, the natural concomitants of competition unrestrained by legal authority, and as such they come within the range of economic interest.

Another reason why competition was so disastrous was perhaps because of the fact that the risks of loss were thrown upon the company traders. The goods were furnished by Astor, at a fixed advance upon costs and charges, to the various distributing posts of the interior.⁴³ Here the outfits were made up and there

⁴³ "None of the traders became wealthy. Astor's company absorbed the profits. It required its clerks or factors to pay an advance of $81\frac{1}{2}$ per cent. on the sterling cost of the blankets, strouds, and other English goods in order to cover the costs of importation and the expense of transportation from New York to Mackinaw. Articles purchased in New York were charged with $15\frac{1}{3}$ per cent. advance for transportation and each class of purchasers was charged with $33\frac{1}{3}$ per cent. advance as profit on the aggregate amount." "Schoolcraft Report," *Senate Document, No. 90, Twenty-second Congress, First Session*, p. 42.

Cf. also a letter of John Johnston to his sister from Sault Ste. Marie, July

was a second regular advance. The chances of loss therefore all fell upon the trader and sometimes he must needs resort to desperate expedients, if he would come out with any profits. Not only did the company throw the risks upon individuals, but it has been said with a certain amount of justice, that it left to other men and other companies the task of opening up new regions, which it could afterward enter with perfect assurance that its superior resources would eventually enable it to take the field. Such a conservative policy is, of course, in interesting contrast with John Jacob Astor's early ventures. Then, he chose that field which seemed to offer the best chance of gain, and he gladly ran the risks involved for the sake of the large returns he might secure. But for a company covering a great territory whose work was done by subordinates, matters were quite otherwise. It was possible to estimate one year with another the chances of gain or loss, and to make advances to the traders on the basis of such estimates. The position of the trader was somewhat analogous to that of the Indian; he was for the time dependent upon the supplies offered him by the North American Fur Company and he must perforce accept them upon the terms granted by the company. Judging from the usual penniless condition of the trader, the American Fur Company must have gained considerably more than it would have gained had it not shifted the risks.

By 1834, Astor's fur interests had become of slight moment in comparison with his immense real estate holdings, and he was, moreover, getting too old for active participation in the work of

23, 1833. (Smithsonian, *Schoolcraft Papers*). Johnston says: "The Eastern merchants furnish goods, merchandise and all necessary articles for trade at a certain percentage, with the privilege of having the first refusal of the furs obtained." The independent trader, Johnston thought, could make a fair profit, "but," he writes, "when individuals or companies were interested with the company [i. e., the company furnishing supplies] in place of 33½ per cent. they charged 10 per cent. and received one-half the profits made on outfits and on receipt of the furs generally gave what they thought proper." At the outfitting posts he thinks there is scarcely any competition, the trader being compelled to take the merchandise at exorbitant charges. "To obtain and pay for goods and barely obtain a livelihood the whole weight, extortion, fraud, and deceit falls on the Indians."

direction. Consequently, in the year named he sold out his interests in the Northern Department of the American Fur Company to Ramsay Crooks and his associates, while the western department was taken over by Pratte, Chouteau & Company, of St. Louis. Chittenden suggests that this move may have been dictated by certain purely economic considerations which do credit to his business astuteness. In proof, he cites a statement in a letter from Astor written from London the summer before the sale of his interests: "I much fear," he writes, "beaver will not sell well very soon unless very fine. It appears that they make hats of silk instead of beaver." But it was probably not from the point of view of demand alone that the fur-trade showed signs of decline. The supply of furs was also becoming scarcer and the expenses connected with the trade were increasing as it became necessary to push the trading-posts farther west. William B. Astor, writing to the Secretary of War in response to inquiries concerning the state of trade, says:

On the frontiers the deer and other large animals have nearly disappeared, and in that region, a great reduction is also visible in the number of those which are valuable for their fur. But in what may more properly be called "the Indian country" there is but little diminution of late years, and what the advance of the whites annually takes away is almost made good by the extension of our trading-posts, more particularly toward the Rocky Mountains; so that if we have less of one thing, we have more of another, and the annual value of our aggregate returns is pretty much the same."

It will be noticed that William Astor's statement contains several reservations. He alleges that the trade is "almost" made good, and the value of the aggregate returns he affirms to be "pretty much the same."

Schoolcraft writing in 1836 says of northern Michigan:

The value of the fur-trade in this portion of the country is one of questionable character, at the present era. Large sums have formerly been made as well as lost in its prosecution. But more than nine-tenths of the whole avails of this trade have been sent to seaboard or foreign markets and have not enriched the resident inhabitants. This trade is yearly diminishing and

"Senate Document, No. 90, Twenty-second Congress, First Session, p. 77.

it may perhaps be added, the sooner it is extinct and both the white men and Indians employ themselves in regular industry the better.⁴⁵

It is evident from the foregoing statements that the country furnishing the American Fur Company with the main portion of its supplies was becoming rapidly populated and therefore unfit territory for the hunter. Moreover, the region toward the mountains could only be exploited at an increased expense, and in the face of a competition which was practically non-existent for the Astor interests in the middle west. If John Jacob Astor were cognizant of all these facts, they were no doubt a more potent influence than old age in effecting his withdrawal from the trade. The chances are that he, in common with many men of large fortune, was just as eager to scent signs of decay as he was quick to detect evidences of potential prosperity; just as opportune in withdrawing from a declining venture, as timely in undertaking any new enterprise that promised growth.

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⁴⁵ In the Appendix of Washington Irving's *Astoria* (Philadelphia ed., 1873), p. 640, appears an article entitled, "Notices of the Present State of the Fur-Trade Chiefly Extracted from an Article Published in *Silliman's Magazine* for June, 1834." It is there stated that "it appears that the fur-trade must henceforward decline. The advanced state of geographical science shows that no new countries remain to be explored. In North America the animals are slowly decreasing from the persevering efforts and the indiscriminate slaughter practised by the hunters and by the appropriation to the uses of man of those forests and rivers which have afforded them food and protection. They recede with the aborigines before the tide of civilization, but a diminished supply will remain in the mountains and uncultivated tracts of this and other countries, if the avidity of the hunter can be restrained within proper limitations."